

OVERSIGHT BOARD
SUCCESSOR AGENCY
TO THE WEST HOLLYWOOD
COMMUNITY DEVELOPMENT COMMISSION

AUGUST 23, 2012

SUBJECT: OVERVIEW OF NEW DEADLINES AND PROCEDURES
ADDED TO THE REDEVELOPMENT DISSOLUTION
PROCESS BY AB 1484

INITIATED BY: SUCCESSOR AGENCY
(David Wilson, Interim Director of Finance) *DW*
(Elizabeth Savage, Manager - Rent Stabilization & Housing) *ES*
(John Leonard, Project Development Administrator) *JL*
(Beth Rosen, Information Technology Management Analyst) *BR*

STATEMENT ON THE SUBJECT:

The Oversight Board will receive an overview of the new deadlines and procedures added to the redevelopment dissolution process by AB 1484.

RECOMMENDATION:

- 1) Receive and file the overview of the new deadlines and procedures added to the redevelopment dissolution process by AB 1484.
- 2) Provide staff with any changes to the look-ahead meeting schedule for the Oversight Board, and approve the meeting dates for the remainder of the calendar year.

BACKGROUND ANALYSIS:

On June 27, 2012, a clean-up bill to the redevelopment dissolution legislation (AB x1 26) was enacted by the State Legislature ("AB 1484"). AB 1484 established several new procedures that must be followed and accelerated several timelines for existing procedures.

Due Diligence Review

The Successor Agency to the West Hollywood Community Development Commission ("Successor Agency") must contract with a certified public accountant, approved by the County Auditor-Controller ("Auditor-Controller"), to conduct a due diligence review to determine the unobligated balances available for transfer to taxing entities. The due diligence review must include (1) a valuation of all cash assets transferred from the former redevelopment agency to the Successor Agency on February 1, 2012; (2) the value of all cash assets transferred from the redevelopment agency or Successor Agency to the City between January 1, 2011 and June 30, 2012; and (3) the dollar value of any cash transferred from the redevelopment agency or Successor Agency to any other

public agency or private party between January 1, 2011 and June 30, 2012. Deductions may be made from the amount to be distributed to taxing entities for (1) assets obligated for a legally restricted purpose, such as grants or bonds; (2) non-cash assets, such as property or equipment; (3) assets restricted or obligated to fund an enforceable obligation; and (4) assets required to pay the Successor Agency's current year Recognized Obligation Payment Schedule ("ROPS") obligations. The Successor Agency's request to contract with Lance, Soll, and Lunghard for the due diligence reviews was approved by the Auditor-Controller on July 27, 2012.

There are separate tracts for review and approval of the due diligence review of the amount available for distribution in the Successor Agency's Low and Moderate Income Housing Fund ("Housing Fund") and the due diligence review for all other funds ("Non-Housing Funds").

Housing Fund Due Diligence Review

The Successor Agency must submit the Housing Fund due diligence review to the Oversight Board, Auditor-Controller, State Controller, and the Department of Finance ("DOF") by October 1, 2012 and it must be approved by the Oversight Board no later than October 15, 2012. DOF will have until November 9, 2012, to review the Housing Fund due diligence review and provide its determination to the Successor Agency. Within five days after DOF's determination the Successor Agency must transmit any unobligated Housing Funds to the Auditor-Controller. If the Successor Agency does not agree with DOF's determination it can submit a request to meet and confer. As outlined in AB 1484, the meet and confer process would take no longer than thirty days. During this period the requirement to transmit the unobligated Housing Funds to the Auditor-Controller would be suspended until after the meet and confer process is completed.

Non-Housing Fund Due Diligence Review

For Non-Housing Funds the Successor Agency must submit the due diligence review to the Oversight Board, Auditor-Controller, State Controller, and DOF by December 15, 2012 and it must be approved by the Oversight Board no later than January 15, 2013. DOF will have until April 1, 2013, to review the Non-Housing Fund due diligence review and provide its determination to the Successor Agency. Within five days after DOF's determination the Successor Agency must transmit any unobligated Non-Housing Funds due to the Auditor-Controller. If the Successor Agency does not agree with DOF's determination it can submit a request to meet and confer, as outlined in AB 1484 the meet and confer process would take no longer than thirty days. During this period the requirement to transmit the unobligated Non-Housing Funds to the Auditor-Controller would be suspended until after the meet and confer process is complete.

Failure to meet the above deadlines may subject the Successor Agency, City of West Hollywood, and potentially the Oversight Board, to substantial fines and penalties assessed by various State agencies.

Recognized Obligation Payment Schedule No. 3 (Jan 2013 - June 2013)

AB 1484 created specific new deadlines for ROPS review and approval, intended to provide the reviewing agencies additional time for review. The ROPS for the period from January 1, 2013 through June 30, 2013 ("ROPS No. 3") must be approved by the Oversight Board and transmitted to DOF no later than September 1, 2012. DOF will have 45 days to review ROPS No. 3 and provide its determination to the Successor Agency and Oversight Board. The Successor Agency or Oversight Board can submit a request to meet and confer if it does not agree with DOF's determination. If the Oversight Board or Successor Agency disputes a DOF ROPS determination and DOF subsequently agrees with the objection, later ROPS may be amended to reflect the revised understanding. County Auditor-Controllers do not have the authority to withhold any allocation from a ROPS approved by DOF unless required to do so pursuant to a court order.

Moving forward, each successive ROPS must be approved by the Oversight Board and submitted to DOF no later than 90 days prior to the County's distribution of tax increment, resulting in an approximate deadline of October 4 (for Jan – June ROPS) and March 3 (for July – Dec ROPS), of each year.

Similar to the required due diligence review, failure to meet the above deadlines may subject the Successor Agency, City of West Hollywood, and potentially the Oversight Board, to substantial fines and penalties assessed by various State agencies.

AB 1484 also expands and clarifies what may be considered an enforceable obligation. It clarifies that litigation expenses, costs of maintaining assets prior to disposition, and employee costs associated with work on specific project implementation activities are all enforceable obligations that may be included on the ROPS. Any housing enforceable obligations and bond obligations may still be included on the ROPS, even if the Housing Successor Agency assumes responsibility of the former Agency's housing assets. Starting in FY 2013-14, repayments or deferrals owed to the Housing Fund may be repaid to the Housing Successor Agency and listed on the ROPS. Also, upon issuance of a Finding of Completion from the DOF, discussed below, excess bond proceeds not needed to pay enforceable obligations and loans between the City of West Hollywood and Successor Agency may properly be listed on the ROPS, subject to limitations outlined in AB 1484.

Housing Assets Report

Although the City of West Hollywood elected to become the Housing Successor Agency on February 6, 2012, AB 1484 clarifies that the Oversight Board must

approve the transfer of housing assets to the Housing Successor Agency by resolution after providing ten days public notice and conducting a public hearing. The Successor Agency will seek the Oversight Board's approval of a resolution retroactively memorializing the transfer of housing assets to the City.

Non-Housing Real Property Assets

Upon completion of the due diligence reviews and transmittal of the unobligated balances to the Auditor-Controller the Successor Agency will be issued a "finding of completion" from DOF. After receiving a "finding of completion" the Successor Agency may prepare a "long-range property management plan" for the disposition of any real property assets. Due to the deadlines associated with the due diligence reviews it is not anticipated that a "finding of completion" will be issued to the Successor Agency until at least April 2013.

Increased DOF Review of Oversight Board Actions

Similar to review of the ROPS, AB 1484 expands and lengthens DOF review of all Oversight Board actions. Each action by the Oversight Board requires a resolution and must be transmitted to DOF by electronic means in a manner of DOF's choosing. The time period wherein DOF may request review is expanded from 3 to 5 days. The largest expansion is in the amount of time that DOF has to review a particular action when it requests such review, which is changed from 10 to 40 days. Regarding the transfer of housing assets and distribution of former redevelopment properties, the Oversight Board must provide at least 10 days public notice. Any such actions are subject to DOF review similar to other Oversight Board actions, except that DOF may extend its review period by an additional 60 days.

In light of the new requirements and deadlines imposed by AB 1484 an Oversight Board meeting look-ahead schedule has been prepared and is provided as Attachment 1. The look-ahead schedule provides an outline of the anticipated meeting dates and agenda items for the remainder of the calendar year.

FISCAL IMPACT:

None

ATTACHMENTS:

Attachment 1: Oversight Board Meeting Look-Ahead Schedule